

Britain stands at equality crossroads, according to landmark report ^[1]

Author: Wintour, Patrick

Source: The Guardian

Format: Article

Publication Date: 30 Oct 2012

EXCERPTS:

Britain faces a choice between a generation of stagnant living standards for millions of lower-income households, or an alternative that tackles low pay, low skills, and childcare costs, according to a landmark report written by the Commission on Living Standards.

In one of its key proposals, it suggests helping "the missing million" women back into the workforce by offering an extra 10 hours of childcare a week at £1 an hour, a move which would cost £2.2bn.

The commission is remarkable for reaching such a consensus on the long-term structural problems facing the UK economy, as it is made up of a diverse group of leading bankers, industrialists, trade unionists and economists.

The authors, who include the TUC's general secretary, Frances O'Grady, state that "the balance of income growth now needs to shift away from rising state support towards increasing employment income". The report is likely to fuel debate across the political spectrum, with tough messages for all sides, both in its analyses and solutions.

One consequence is likely to be an intensified debate at the election about how to fund childcare.

The commission, chaired by the businessman Clive Cowdery, says that "historic circumstance, policy choice and global trends mean the UK has arrived at an economic model in which only a relatively small proportion of overall GDP growth trickles down to the bottom half of the population". Inequality has risen across the western world as new technologies have boosted demand for skilled workers and union power has been eroded.

The report finds that:

- On current trends, a working-age household in the middle of the income distribution looks likely to have a disposable income in 2020 which is around 3% lower than it was in 2008. The figures for those in the bottom 10% of households are far worse, with a projected real-terms decline of 15%.
- Only 12p of every £1 of UK GDP now goes to wages in the bottom half of households, down 25% in the past three decades.
- Incomes of low- to middle-income households grew by just 0.3% a year from 2003 to 2008, even when the economy grew by 1.4% a year.
- The UK ranks 15th on the OECD scale on females in employment, behind Slovenia, largely due to under-employment of women in their early 30s.

It also warns that tax credits - the Labour's government's method of preventing stagnating incomes - will no longer be able to act as a countervailing force owing to the need to cut the deficit. Between 2003 and 2008, tax credits and benefits added £730 a year to average income in low- and middle-income households, while combined income from other sources fell by £570. In roughly the same period, average income among the top 0.1% grew by 65% in real terms, at an annual rate of 13.4%.

The report proposes a mix of policies to increase employment, tackle low pay and skill a workforce. The report It finds that the "UK wastes vast amounts of potential productive capacity because work too often simply does not pay".

It calls for expansion of childcare to attract "the missing million" women back into the labour force. Free childcare places should be extended by 10 hours, to 25 hours a week for 47 weeks a year. The new hours should be charged at £1 an hour, at a net cost of £2.2bn. The report says that at present, a middle-income family receiving a gross income 87% higher than a low-income family actually ends up with a final income of only 17% higher due to childcare costs.

The child tax element in universal credit should be "front loaded" to reflect desire for women with older children to work.

In a bid to tackle low pay, the report proposes that the Low Pay Commission be empowered to undertake stress tests in sectors to suggest an affordable wage - as opposed to the current statutory minimum wage - that could be set without damaging jobs. Companies would also be required to publish the proportion of their workforce paid below thresholds such as the living wage. It suggests a living wage in low-pay sectors such as bars, restaurants and retail adds a significant 5% to the wage bill. But other areas such as banking, construction and computing would face a rise in 0.5% of the wage bill.

Payment of a living wage would increase government revenues by around £7bn as a result of reduced tax credit spending and increased tax receipts. Public sector wages would rise by just over £3bn.

On training and skills, the report warns it is "untenable for the UK workforce to contain such a long tail of people without basic literacy and numeracy, leaving so many to languish in elementary service roles with little chance of progress on". Many middle-skills jobs are set to disappear, requiring a more skilled workforce. The report calls for students to be required to study English and maths to 18 and to face a new standard exam at 18. It also calls for stronger bodies to license training.

The report suggests three main sources of funding for its plans, mainly aimed at the affluent retired. It proposes restricting tax relief on pension pots for the most affluent from £1.5m to £1m; means-testing of the free universal winter fuel allowance and TV licences for pensioners; and extending national insurance contributions to those working beyond state pension age.

-reprinted from the Guardian

Region: Europe [2]

Source URL (modified on 27 Jan 2022): <https://childcarecanada.org/documents/child-care-news/12/12/britain-stands-equality-crossroads-according-landmark-report>

Links

[1] <https://childcarecanada.org/documents/child-care-news/12/12/britain-stands-equality-crossroads-according-landmark-report> [2]

<https://childcarecanada.org/category/region/europe>